

Message Text

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PAGE 01 BAGHDA 00827 200154Z
ACTION NEA-10

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INFO SECSTATE WASHDC 6032
AMEMBASSY ATHENS
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E.O. 11652: N/A
TAGS: BEXP, ETRD, ENRG, IZ
SUBJECT: NORTHERN GAS DESIGN AND CONSTRUCTION MANAGEMENT
CONTRACT AWARDED TO JAPANESE FIRM

REF: (A) BAGHDAD 0324, (B) 77 STATE 237223, (C) 77
BAGHDAD 1959.

1. SUMMARY: THE IRAQI GOVERNMENT AWARDED THE CONTRACT
FOR THE DESIGN AND CONSTRUCTION MANAGEMENT OF THE NORTHERN
GAS PROJECT TO THE JAPANESE FIRM TOYO ENGINEERING COMPANY.
REPORTEDLY SIMILAR CONTRACTS FOR THE SOUTHERN GAS
PROJECT AND THE BALJI REFINERY GO TO THE ITALIAN FIRM SNAM
PROJETTI AND TO THE US FIRM KELLOGG RESPECTIVE. US FIRM
PROCON, WHICH WAS THOUGHT TO HAVE THE INSIDE TRACK ON
BOTH NORTHERN AND SOUTHERN GAS AWARDS BELIEVES IT LOST OUT
BECAUSE OF BOYCOTT REASONS. END SUMMARY.

2. BEGIN UNCLASSIFIED TEXT:
THE IRAQI STATE ORGANIZATION FOR OIL PROJECTS
(SCCOP) SIGNED APRIL 17 A CONTRACT FOR THE DESIGN AND
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CONSTRUCTION MANAGEMENT OF THE NORTHERN GAS PROJECT
WITH TOYO ENGINEERING COMPANY, KASUMIGASEKI 2-5,
3 CHOME-KASUMIGASEKI, CHUYODAKU, TOKYO. THE PROJECT IS
TO BE OPERATIONAL IN 1982. END UNCLASSIFIED TEXT.

3. ACCORDING TO A SOURCE WHO CLAIMS TO HAVE OBTAINED
THE INFORMATION FROM A RANKING PLANNING MINISTRY

OFFICIAL, SCCOP HAS ALSO RECOMMENDED TO THE IRAQI PLANNING COUNCIL, WHICH MUST APPROVAL ALL LARGE CONTRACTS, THAT THE DESIGN AND CONSTRUCTION MANAGEMENT FOR THE SOUTHERN GAS PROJECT BE GIVEN TO THE ITALIAN STATE-OWNED COMPANY SNAM PROJETTI AND A SIMILAR CONTRACT FOR THE BAIJI REFINERY TO THE US FIRM KELLOGG. REPORTEDLY THE PLANNING COUNCIL HAS NOT YET APPROVED THESE RECOMMENDATIONS AND SNAM IS ENDEAVORING TO OBTAIN THE BAIJI AWARD IN ADDITION TO THAT FOR THE SOUTHERN GAS PROJECT.

4. COMMENT: THE AWARD OF THE NORTHERN GAS PROJECT TO TOYO IS A DISAPPOINTMENT. THE US FIRM PROCON, A SUBSIDIARY OF UNITED OIL PRODUCTS, DID THE FEASIBILITY STUDY FOR THE PROJECT IN 1975 AND WAS APPARENTLY SCCOP'S ORIGINAL PREFERENCE FOR THE DESIGN AND CONSTRUCTION MANAGEMENT AWARDS OF BOTH THE NORTHERN AND SOUTHERN GAS PROJECTS. HOWEVER, ACCORDING TO PROCON'S LAWYER, WHO VISITED BAGHDAD APRIL 11, NEGOTIATIONS WITH SCCOP BROKE DOWN IN JANUARY 1978 OVER BOYCOTT ISSUES. THE LAWYER SAID THAT HE HAS NEVER ENCOUNTERED A POTENTIAL CLIENT AS EAGER TO GIVE PROCON A CONTRACT AND CITED THIS CASE AS ONE IN WHICH US BOYCOTT REGULATIONS CLEARLY ARE CAUSING US COMPANIES TO LOSE BUSINESS. HE ESTIMATED CONSTRUCTION COST OF NORTHERN GAS PROJECT AND BAIJI REFINERY AT OVER 500 LIMITED OFFICIAL USE

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MILLION DOLLARS EACH AND OF SOUTHERN GAS PROJECT AT OVER ONE BILLION DOLLARS. (USINT IS POUCHING COPY OF MEMORANDUM OF CONVERSATION WITH PROCON'S LAWYER TO NEA/ARN, NEA/RA AND USDOC, CAGNE.)

5. IN ADDITION TO PROCON AND SNAM-PROJETTI, THE FRENCH FIRM TECHNIP AND THE JAPANESE FIRM CHIYODA HAVE BID ON THE SOUTHERN GAS PROJECT. KELLOGG'S COMPETITORS FOR THE BAIJI REFINERY INCLUDE THE JAPANESE FIRM NIIGATA ENGINEERING COMPANY AS WELL AS SNAM PROJETTI. WE HAVE NO INFORMATION AS TO WHAT BOYCOTT PROBLEMS, IF ANY, KELLOGG MAY BE ENCOUNTERING.

6. ABANDONING THE CONCEPT OF TURNKEY DESIGN AND CONSTRUCTION PROJECTS, SCCOP INTENDS TO IMPLEMENT PARTS OF ALL THREE PROJECTS ITSELF THROUGH ITS RECENTLY-CREATED CONSTRUCTION DIVISION. IN A RECENT CONVERSATION WITH USINT OFFICER, SCCOP OFFICIALS SAID THAT THEY HOPED THE DOCUMENTS FOR THE PARTS OF THE PROJECT TO BE TENDERED WOULD BE AVAILABLE BY THE END OF 1978.

7. FOR LONDON. PLEASE PASS INFORMATION IN PARA 2 TO
MR. TERRENCE BOYLE, PROCON GB OFFICE, GREATER LONDON
HOUSE, HAMPSTEAD ROAD, LONDON, TELEPHONE: 01-387-9411..
MACK

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